

Message Text

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44

ACTION EUR-25

INFO OCT-01 NEA-10 ADP-00 EURE-00 CIAE-00 DODE-00 PM-09

H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-14 USIA-12 GAC-01 TRSE-00 MBFR-03 SAJ-01 EB-11

AID-20 OMB-01 IO-12 RSR-01 INRE-00 ABF-01 /152 W

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P R 021455 Z APR 73

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC PRIORITY 4151

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

UFHRO/ AMEMBASSY ROME 1505

AMEMBASSY THE HAGUE

USMISSION NATO PRIORITY

USCINCEUR

USDOCOSOUTH

USNMR SHAPE

C O N F I D E N T I A L VALLETTA 0648

E. O. 11652: GDS

TAGS: EFIN, MT, NATO

SUBJECT: MALTA BALKS AT SPECIAL PAYMENTS CALCULATION

REF: VALLETTA 0614

1. SUMMARY: IN " ACCEPTING" NATO OFFER AND IN SUBSEQUENT
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CONVERSATION, MALTA HAS MADE CLEAR THAT SPECIAL PAYMENTS
MUST NOT REPEAT NOT BE SIGNIFICANTLY DIFFERENT FROM FIGURES

PROVIDED ALONG WITH NATO MEMORANDUM ON JANUARY 10, 1973.
FURTHER INFORMATION AND ASSURANCES ARE SOUGHT TO THIS
END. END SUMMARY.

2. FOLLOWING IS TEST OF LETTER TO ME DATED MARCH 30 FROM CROWN
ADVOCATE GENERAL EDGAR MIZZI: BEGIN TEXT. THE PRIME
MINISTER HAS DIRECTED ME TO REPLY TO THE MEMORANDUM
YOU DELIVERED TO HIM ON MARCH 28, 1973 ON BEHALF OF
THE GOVERNMENTS OF BELGIUM, THE FEDERAL REPUBLIC OF
GERMANY, ITALY, NETHERLANDS AND THE UNITED STATES
REGARDING THE SPECIAL PAYMENTS OFFERED IN A PREVIOUS
MEMORANDUM DATED JANUARY 10, 1973.

IT HAS NOT BEEN POSSIBLE FOR THE MALTESE GOVERNMENT
TO ESTABLISH THE EXACT AMOUNT THAT WILL IN FACT BE PAID
UNDER THE FORMULA NOW PROPOSED. IN VIEW, HOWEVER, OF
YOUR ORAL ASSURANCE OF NO SIGNIFICANT DEPARTURE FROM THE
AMOUNT INDICATED BY YOU ON JANUARY 10, 1973, THE MALTESE
GOVERNMENT AGREE TO THE DATES ON WHICH THE TWO INSTALLMENTS
WILL BE PAID.

ALTHOUGH THE PROMISE OF SYMPATHETIC CONSIDERATION FOR
SIMILAR CLAIMS AFTER 1973 IS APPRECIATED BY THE MALTESE
GOVERNMENT, MALTA'S ECONOMIC CONDITIONS ARE SUCH THAT
SIMILAR PAYMENTS WILL BE EXPECTED TO BE MADE FOR AS LONG
AS THE MALTA- U. K. AGREEMENT REMAINS IN FORCE. END TEXT.

3. PARAGRAPH 2 OF MIZZI LETTER PROMPTED ME TO MEET
WITH MIZZI THIS MORNING, APRIL 2, TO POINT OUT THAT
REFERENCE TO MAY " ORAL ASSURANCE" WAS EITHER MISUNDERSTANDING
OR MISREPRESENTATION OF MY CONVERSATION WITH
PRIME MINISTER WHEN I HANDED HIM NEW NATO MEMORANDUM
ON MARCH 28. I TOLD MIZZI I HAD NO AUTHORITY OR INTENTION
TO PROVIDE SUCH ASSURANCE, AND INDEED THE VERY TEXT OF THE
MEMORANDUM, SUB- PARA (3) MADE VERY CLEAR THAT SUCH AN
ASSURANCE COULD NOT BE GIVEN. I DID OBSERVE THAT SOME
CURRENCIES HAD LOST VALUE AND OTHERS HAD GAINED SINCE
JANUARY 1, AND IT WAS POSSIBLE, ALTHOUGH I COULD NOT CALCULATE
THE AMOUNTS THAT THE TOTAL VALUE WOULD NOT BE SIGNIFICANTLY
DIFFERENT.
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4. AT ONE POINT IN OUR ENSUING DISCUSSION, I SUGGESTED TO
MIZZI THAT IT WOULD HAVE BEEN BETTER IF I HAD NOT PROVIDED
THE ORDER OF MAGNITUDE FIGURES ON JANUARY 10. HE REPLIED
THAT MALTA WOULD NOT HAVE ACCEPTED OFFER WITHOUT THEM.

5. MY BASIC ARGUMENT, REPEATED SEVERAL TIMES, WAS THAT
NATO OFFER WAS EXACTLY AS FORMALLY PRESENTED ON JANUARY 10
AND ACCEPTED BY A MIZZI LETTER ON FEBRUARY 14 -- NO MORE,
NO LESS. IT REPRESENTED THE BUDGETARY SAVINGS OF THE FIVE

COUNTRIES, AND COULD ONLY BE CALCULATED AS OF THE DATES EACH OF THE FIVE COUNTRIES PURCHASED STERLING FOR THEIR CONTRIBUTIONS TO THE INSTALLMENTS OF THE 14 MILLION POUNDS.

6. I HAVE NO DOUBT THAT MIZZI UNDERSTOOD MY EXPLANATION, BUT HE (AND MINTOFF) SIMPLY DON' T ACCEPT IT. MIZZI SAYS MALTA MUST KNOW EXACTLY HOW MUCH THEY ARE TO GET, AND TO THEM THIS AMOUNT REPRESENTS THE FIGURES GIVEN ON JANUARY 10, OR THE EQUIVALENT CALCULATED IN STERLING IF THERE ARE VARIATIONS IN ONE OR MORE OF THE FIVE AMOUNTS. THIS REPRESENTS ROUGHLY 900,000 POUNDS, OR EQUIVALENT STERLING LOSS FROM LAST YEAR' S FLOAT INsofar AS NON- UK SHARE OF 14 MILLION IS CONCERNED.

7. IN ILLUSTRATING SOME OF UNCERTAINTIES MALTA UNWILLING TO FACE, MIZZI NOTED THAT ITALY IS A NOTORIOUS " LATE PAYER". IF ITALY HAD NOT PAID SHAPE CONTROLLER ITS SPECIAL PAYMENT BY MAY 14, WHAT EXCHANGE RATE WOULD EVENTUALLY BE USED? (FYI IN THIS CONNECTION, ITALIAN AMBASSADOR HAS TOLD ME THAT ITALY WILL MAINTAIN THE JANUARY 10 LIRA FIGURE, AS CORRECTED, FOR 1973 REGARDLESS OF ANY CHANGES IN RELATIONSHIP BETWEEN LIRA AND STERLING. END FYI)

8. MIZZI ALSO RAISED PROBLEM OF FUTURE YEARS IN TERMS OF HOW MUCH NATO COUNTRIES WOULD BUDGET FOR BASE RENT PAYMENTS AND EFFECT ON FUTURE SPECIAL PAYMENTS. FOR EXAMPLE, IF US, IN FIRST YEAR OF AGREEMENT BUDGETED 9.5 MILLION DOLLARS BUT NEEDED ONLY 8.7 MILLION TO BUY STERLING FOR ITS SHARE THAT YEAR, WOULD IT BUDGET 9.5 OR 8.7 FOR FOLLOWING YEAR? IF 8.7, AND EXCHANGE RATES HOLD, THERE WOULD BE NO SAVINGS FOR SPECIAL PAYMENT IN SECOND YEAR. (COMMENT: ON THIS POINT I THINK MIZZI HAS PUT HIS CONFIDENTIAL

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FINGER ON SOMETHING THAT MAY REQUIRE ASSURANCES FROM CONTRIBUTING FIVE.)

9. SUMMARY, GOM IS UNWILLING TO AGREE TO UNCERTAINTIES INVOLVED IN NATO PROCEDURES, AND HAS FIXED ON JANUARY 10 ORDER OF MAGNITUDE FIGURES, WHICH IN FACT REPRESENT TEN PER CENT LOSS TO MALTA FROM STERLING FLOAT ON THAT PART OF 14 MILLION PAID BY FIVE. SUSPICIONS OF PROPOSED COMPLICATED PROCEDURE INCLUDE FEAR THAT FIVE COUNTRIES WILL INDIVIDUALLY TRY TO JUDGE EXCHANGE MARKET IN ORDER TO BUY POUNDS AT RATE WHICH WILL PROVIDE SMALLEST POSSIBLE SPECIAL PAYMENTS.

10. COMMENT: IN ORDER TO GET AROUND THIS OBSTACLE, FIVE COUNTRIES WILL HAVE TO CONSIDER WHETHER THEY WOULD BE WILLING TO PROVIDE FIGURES REPRESENTING AMOUNTS OF SPECIAL PAYMENTS DUE MAY 14. IF THIS PROVES CLOSE TO HALF OF JANUARY 10 FIGURES PLUS ADDITIONAL JULY 1 TO SEPTEMBER 30 U. S. DOLLAR

AMOUNT, WE COULD HAVE IN EFFECT A NON- PROBLEM AS FAR AS
THE FIRST SPECIAL PAYMENT IS CONCERNED. THIS DOES NOT,
HOWEVER, GET AROUND THE BASIC PROBLEM, WHICH DERIVES
ESSENTIALLY FROM THE UNCERTAINTIES FELT BY THE GOM. MALTA
HAVVVVING TAKEN ITS PRESENT POSITION, I DON' T KNOW IF IT
WOULD BE SALEABLE HERE TO, IN THE FUTURE, CALCULATE THE SPECIAL
PAYMENTS FROM THE EXCHANGE RATES PREVAILING ON THE
DATES OF THE RENTAL PAYMENTS, BUT IT IS WORTH CONSIDERING.
THERE ALSO REMAINS THE QUESTION OF BUDGETING FOR FUTURE
YEARS.

11. ACTION REQUESTED: I WOULD APPRECIATE DEPARTMENT' S
REACTION AND NATO CONSIDERATION FOR EVENTUAL REPLY TO
GOM. I HOPE THIS CAN BE DONE FAIRLY PROMPTLY. GETZ

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<< END OF DOCUMENT >>

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ATHENS
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BRUSSELS
COPENHAGEN
LISBON
LONDON

LUXEMBOURG
OSLO
OTTAWA
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